FOR RELEASE
JAN. 24, P. M.
1956

The DEMAND and PRICE SITUATION

DPS - 13

In this issue:
Surplus Disposal Operations
The President's Farm Message

AMS

Approved by the Outlook and Situation Board, January 18, 1956

SUMMARY

Prices of most farm products have firmed slightly in recent weeks as the seasonal peak in marketings has passed. Prospects are that farm product prices in the early months of this year will average somewhat above the low levels reached in December.

Prices received by farmers declined each month during the last half of 1955 and in mid-December both crops and livestock products averaged 7 percent below a year earlier. Price declines during 1955 were large for hogs, and substantial for some feed grains, oilseeds, potatoes, and cattle. On the other hand, prices of eggs were substantially higher than in December 1954 and moderate gains were reported for other poultry products, commercial vegetables, and tobacco. Dairy product prices averaged about the same.

The drop in farm product prices during 1955 reflects the 3 percent rise in farm output to a new high as well as big carryover stocks of several major crops. Crop production in 1955 totaled about 4 percent higher and output of livestock products was up about $2\frac{1}{2}$ percent from a year earlier. Demand was maintained at a high level as income and employment rose during the year in both the United States and abroad.

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UNITED STATES DEPARTMENT OF AGRICULTURE
AGRICULTURAL MARKETING SERVICE

ECONOMIC FACTORS AFFECTING AGRICULTURE

Item	Unit or base period	1954 Year	1954 Dec.	1955 Sept.	1955 Oct.	1955 Nov.	1955 Dec.
Industrial production 1/							
Total	1947-49=100	125	130	142	143	144	144
All manufactures	do.	127	131	144	145	146	145
Durable goods	do.	137	143	160	161	161	160
Nondurable goods	do.	116	119	127	129	130	130
Minerals	do.	111	116	122	123	125	127
Total outlay for new construction 2/	Million dollars	37,577	3,429	3,573	3,526	3,518	3,489
Residential	do.	13,496	1,307	1,422	1,374	1,345	1,326
Total civilian employment 3/	Million	61.2	60.7	64.7	65.2	64.8	64.2
Nonagricultural	do.	54.7	55.4	56.9	57.3	57.9	58.3
Unemployment	do.	3.2	2.8	2.1	2.1	2.4	2.4
Income:							
Nonagricultural payments 2/4/#	Bil. dol.	271.9	278.1	293.0	294.4	296.4	
Production-worker payrolls 5/#	1947-49=100	137.7	143.1	158.7	161.2	164.3	163.8
Weekly earnings of production-workers in manufacturing 5/	Dollars	71.86	74.12	77.71	78.50	79.52	79.90
Durable	do.	77.18	80.15	84.46	85.07	86.31	86.52
Nondurable	do.	64.74	66.47	68.97	69.32	70.12	71.23
Prices:							
Wholesale prices, all commodities 5/	1947-49=100	110	110	112	112	111	111
Commodities other than farm and food	do.	114	115	118	119	119	120
Farm	do.	96	90	89	87	84	83
Food, processed	do.	105	104	102	100	99	98
Prices received by farmers 6/#	1910-14=100	249	239	235	230	225	223
Crops	do.	243	243	229	224	224	227
Livestock and products	do.	255	236	240	236	225	219
Prices paid, interest, taxes and wage rates 6/	1910-14=100	281	279	279	280	279	279
Items used in living	do.	274	272	272	274	273	274
Items used in production	do.	252	250	246	246	244	243
Parity ratio		89	86	84	82	81	80
Consumer price index 5/	1947-49=100	115	114	115	115	115	
Food	do.	113	110	112	111	110	
Government purchases of goods and services 2/ 7/#	Billion dollars	77.0	74.5	75.8			
Federal (less Government sales)	do.	49.2	45.7	45.5			
State and local	do.	27.8	28.7	30.2			

Annual data for the years 1929, 1932 and 1935-54 appear on page 41 of the April 1955 issue of The Demand and Price Situation.

1/ Federal Reserve Board.
2/ U. S. Department of Commerce.
3/ Bureau of the Census.
4/ Monthly totals seasonally adjusted at annual rates.
5/ U. S. Department of Labor, Bureau of Labor Statistics.
6/ U. S. Department of Agriculture, Agricultural Marketing Service.
7/ Quarterly totals seasonally adjusted at annual rates.
Revised series.

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Continued from cover page -

1956 begins with consumer incomes, industrial production, business investment, retail sales and nonfarm employment at record levels. The pace of stock accumulation quickened in the final months of 1955 but business inventories in general do not yet appear to be high relative to sales. Residential housing construction remains a soft spot in the economy, with new home starts still declining. In recent weeks some easing in automobile demand from the record fall volume has appeared and has led to some downward revision in production schedules for the first few months of this year. Planned business outlays for new plant and equipment are presently a major factor underlying the record level of economic activity.

The President's recent message to Congress on the farm program characterized the farm situation as an over supply of commodities which drives down prices as farmers' costs continue high. He recommended, as a remedy for the major problems of agriculture, a nine-point program of which the Soil Bank was a major new feature. The first part of the Soil Bank--the Acreage Reserve Program--is a deferred-production plan aimed at reducing production and carryovers of crops in greatest surplus by voluntary reductions in plantings below the allotment acreage of wheat, cotton, corn and rice. The second part would set up a Conservation Reserve Program for the purpose of effecting better long-range land use and protecting farmers and ranchers from the effects of production on acres already diverted. The Soil Bank program would provide fairly generous payments to induce farmers to set aside some 40 to 45 million acres. In addition to the Soil Bank, the message proposed an expansion of many other programs including surplus disposal, strengthened commodity programs, adequate credit, expanded research and urged the repeal of the Federal tax on gasoline used on the farm.

Commodity Highlights

Hog slaughter will decrease this winter but will remain above last year; cattle slaughter will also equal or exceed last winter but will be below 1955 in the last half of the year. Prices of cattle in 1956 will probably average slightly higher than in 1955 and hog prices slightly lower.

Milk production is now slightly higher than a year earlier and will likely continue at record highs this winter.

Egg prices have been declining seasonally since early January. Production on January 1 was slightly above a month earlier and increasing seasonally. About one-third more broilers are now growing in 22 States than a year ago.

Prices of soybeans have remained slightly above support so far in this crop year despite a huge crop; domestic and export demand are both strong. Lard prices have begun to recover during the past month.

Feed grain prices, particularly corn, have recovered sharply from the lows of last fall but feed prices are still well below a year earlier.

Conditions as of December 1, indicate a winter wheat crop 735 million bushels which would be 4 percent larger than the 1955 crop. The minimum national average support price for 1955 crop rice has been announced as 4.04 dollars per hundredweight, the legal minimum. Growers will vote January 27 on marketing quotas.

Both shipping point and auction prices for Florida oranges shipped to fresh markets in December were much higher than a year earlier. Prices of oranges are expected to continue higher this year than last.

Despite severe frost damage to Florida crops, larger supplies of commercial vegetables for fresh market are in prospect this winter than last and prices received by growers are not expected to differ significantly from a year earlier.

The supply of cotton in the United States is now estimated at about 25.7 million running bales, including a 1955 crop of 14.5 million bales.

The rate of domestic mill use of apparel wool during November was 20 percent above that of a year earlier. Imports of wool in 1955 were considerably above 1954.

Auction prices for the 1955 burley crop through mid-January averaged 17 percent higher than the same period last season. Prices are averaging higher than for any previous season.

FEDERAL BUDGET FOR FISCAL 1956-57

The proposed budget for fiscal 1956-57 provides for outlays of nearly 66 billion dollars, some 1.6 billion above estimates for 1955-56. Most of the increase would come in defense and other national security programs which make up nearly two-thirds of total spending. Proposed increases for other government functions are relatively small by comparison. For the current fiscal year expenditures by the Federal Government are estimated at about 64.3 billion dollars, about 0.3 billion below a year earlier. Smaller expenditures for major national security programs, estimated at about 1.4 billion dollars below 1954-55, have been largely offset by increased outlays for other government activities.

Federal revenue estimates for fiscal 1955-56 provide for a small budget surplus for the current year compared with a budget deficit of nearly 4.2 billion dollars for fiscal 1954-55. The further rise in Federal revenue in prospect for 1956-57 would more than offset the increase in outlays scheduled so that the President's new budget shows a small surplus for fiscal 1956-57.

The proposed increase in Federal expenditures together with the continued uptrend in State and local outlays would result in some increase in demand for goods and services in the coming year. This is in contrast to 1955 when total Government demand remained quite stable at a level somewhat below 1954.

THE GENERAL ECONOMIC SITUATION

The Nation enters 1956 with operations close to capacity in many lines of activity. Business investment in new plant and equipment is still rising over a wide range of industries; investment in the first quarter of 1956 will be at a rate about 2 percent above the last quarter of 1954 and nearly a fourth above a year ago. However, activity is easing in two major industries which were the pacemakers in the recovery from the 1954 recession --automobiles and residential construction.

Supplies of some basic materials are relatively tight and prices of a number of industrial raw materials and several industrial commodities have been rising steadily in recent months. But with declining prices for farm products, average wholesale and retail price levels continue remarkably stable

Consumer incomes continue upward and expenditures remain high. Preliminary reports indicate that Christmas sales in 1955 were about 5 percent above 1954. Inventory accumulation in November apparently approximated an annual rate of 7.2 billion dollars, well above the reduced rate in the third quarter of 1955. Nonfarm employment rose to a new record in December and the seasonal increase in unemployment was less than usual.

Consumer Income and Spending

Consumer income after taxes rose further from the record 272 billion dollar rate in the third quarter of 1955 and continues about 7 percent above a year earlier. In November, personal income payments were at an annual rate of 311 billion dollars, 2 billion dollars above October and about 7 percent above November 1954. The increase resulted from higher employment, a small rise in average earnings and a contraseasonal lengthening of the work week. Both farm and nonfarm incomes were higher in November than in October.

Retail sales have remained fairly stable since September, aside from such seasonal influences as the Christmas trade. In early 1955, consumer demand provided a major impetus to the upswing in economic activity. But in recent months retail sales have not kept pace with rising income payments.

Sales volume rose slightly in December, after adjustment for the usual Christmas upsurge, and was about 5 percent above December 1954. Total sales equaled approximately 15.9 million dollars. Seasonally adjusted data on retail trade reveal a virtually unchanged level of sales since last summer.

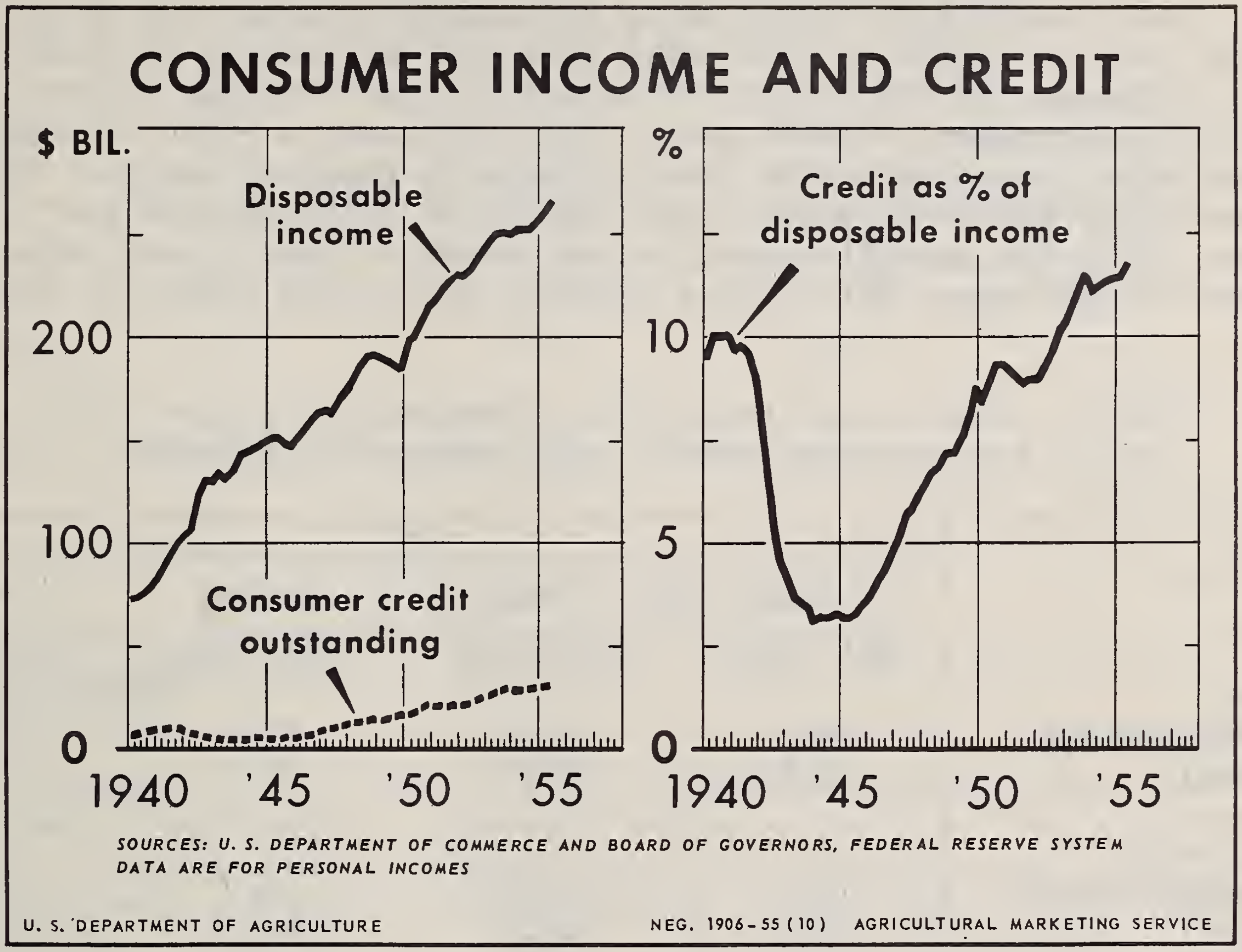
Consumer Credit

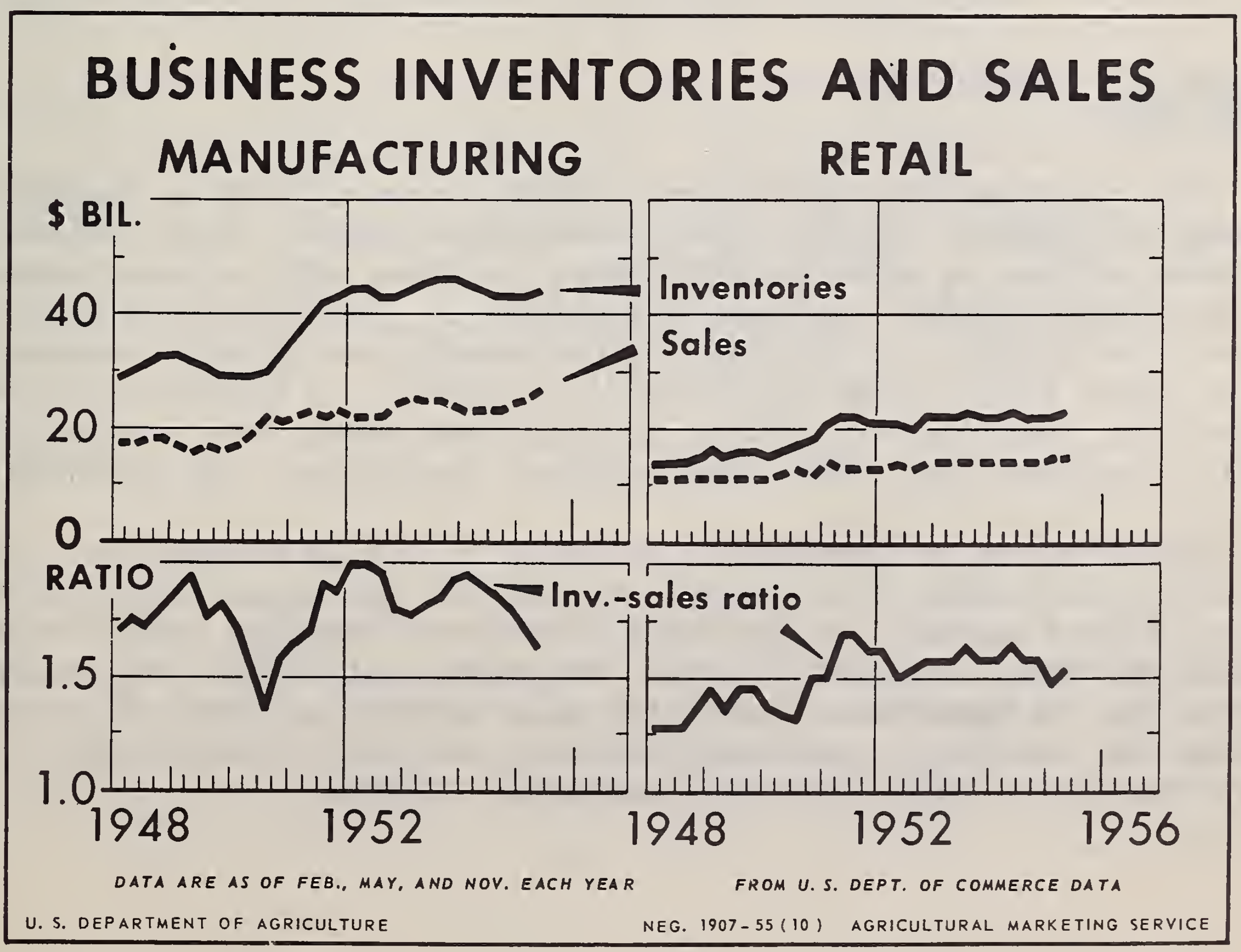
Credit extended to consumers still far exceeds the amount of credit repaid each month so that total consumer credit outstanding continues to rise. But recently monthly gains are averaging about half the rise during the first half of 1955 when the volume of credit was mounting rapidly. Consumer credit outstanding at the end of November totaled 35.0 billion dollars, an increase of 419 million dollars from the previous month. The tapering off in extensions of new credit in October and November reflects smaller increases in automobile credit. Sales of new autos have been slower than in the corresponding period for 1955 models and so far apparently have not matched industry expectations.

Investment Demand

Inventory Build-Up Partly Reflects Rising Prices

The total value of business inventories held by manufacturers, wholesalers and retailers rose 800 million dollars in October and another 650 million in November, after seasonal adjustment. Most of the increase in October was in durable goods industries. In November the value of durable goods increased 700 million dollars while nondurable goods showed a small decline.


CONSUMER INCOME AND CREDIT
$ BIL.
Disposable income
Consumer credit outstanding
200
100
0
1940
'45
'50
'55
%
Credit as % of disposable income
10
5
0
1940
'45
'50
'55
SOURCES: U. S. DEPARTMENT OF COMMERCE AND BOARD OF GOVERNORS, FEDERAL RESERVE SYSTEM
DATA ARE FOR PERSONAL INCOMES
U. S. DEPARTMENT OF AGRICULTURE
NEG. 1906-55 (10) AGRICULTURAL MARKETING SERVICE


BUSINESS INVENTORIES AND SALES
MANUFACTURING
RETAIL
$ BIL.
40
20
0
Inventories
Sales
RATIO
Inv.-sales ratio
1.5
1.0
1948
1952
1948
1952
1956
DATA ARE AS OF FEB., MAY, AND NOV. EACH YEAR
FROM U. S. DEPT. OF COMMERCE DATA
U. S. DEPARTMENT OF AGRICULTURE
NEG. 1907-55 (10) AGRICULTURAL MARKETING SERVICE

This rate of accumulation is substantially above that for any of the first three quarters of 1955. It is accounted for primarily by the high initial rate of output of 1956 model automobiles relative to sales and to price increases for industrial raw materials, particularly metals. In both October and November, a large part of the increase in value of stocks represented price increases rather than a change in physical stocks. Part of the inventory build up in the third quarter of 1955 also was due to higher prices. With the possible exception of passenger cars, inventories in general do not appear out of line relative to current levels of trading.

Table 1.- Sales and inventories: Manufacturers' and retail, for specified months 1955, seasonally adjusted

	1955			
	February	May	August	November
	Bil. dol.	Bil. dol.	Bil. dol.	Bil. dol.
Sales:				
Manufacturing	24.6	26.7	27.2	27.3
Retail	14.8	15.4	15.7	15.8
Inventories:				
Manufacturing	43.3	43.5	44.3	45.6
Retail	22.4	23.0	23.3	23.5

Construction Expenditures Taper Off

New construction expenditures eased down slightly in December, after seasonal adjustment, for the third consecutive month. This reflected the continued decline in home building and a leveling off in non-residential outlays in recent months. Business intentions to expand and remodel plant in the next few months, as indicated by Government and private surveys, should give an added boost to the construction industry. A further rise is in prospect for construction outlays by State and local Governments for new schools, hospitals and other institutional facilities, and highways.

The decline in residential building is likely to continue. About 1.3 million new homes were started in 1955 but the annual rate of new starts declined from a nearly 1.5 million-unit rate in December 1954 to less than 1.2 million units in December 1955. Mortgage applications to the FHA and requests for VA appraisals, generally good advance indicators of residential construction activity, have been declining sharply in recent months. The money market in general continues relatively tight.

Table 2.--Construction expenditures: December 1954, June and December 1955, seasonally adjusted annual rates

Period	Total new construction	Private nonfarm residential	Other private	Federal, State, and local
	Billion dollars	Billion dollars	Billion dollars	Billion dollars
1954: December	41.1	15.7	12.5	12.9
1955: June	42.8	17.0	13.5	12.2
December	41.9	15.9	13.9	12.0

Industrial Output and Employment

Manufacturers' Sales, New Orders Pick Up

Manufacturers' sales turned up again in November after a sharp decline in October. Total sales in November reached a level of 27.4 billion dollars, seasonally adjusted, up slightly from the previous record of 27.2 billion reached last August and 3.4 billion dollars above a year earlier. Most of the rise was in the durable goods industries, primarily automobiles. Nondurable goods shipments rose by a narrower margin with the increase concentrated in the chemical and petroleum industries.

After a downturn in September and October, manufacturers' new orders (seasonally adjusted) rose in November to 28.1 billion dollars, 600 million above October. But they were still under the September level of 28.3 billion and the record of 28.7 billion set in August. Since new orders exceeded sales in November the backlog of unfilled orders rose again, continuing the uptrend which began in the last quarter of 1954. The order backlog, now at a record of 54 billion dollars, will be a significant factor in helping to maintain industrial activity in coming months.

Industrial Output Steady

The Federal Reserve Board's index of industrial production in December held at the November level of 144 (1947-49=100) after seasonal adjustment. This compares with 130 in December 1954. Increases over the month in primary metals manufacturing and in minerals output were offset by a moderate decline in automobile production. Output of passenger cars fell 5 percent from November to December after seasonal adjustment. Production of other durables rose slightly while nondurables output held at the November level, 9 percent above a year ago. Steel production has been at

near capacity rates in recent weeks and supplies remain relatively tight. The scheduled cutback in passenger car output in coming months should free some steel needed for new plant and equipment expansion, including expansion in the steel industry itself.

Nonfarm Employment
At Record

Total employment declined from November to 64.2 million in December. The Decline of more than 600,000 was due to a drop in agricultural employment. Nonfarm employment rose to 58.3 million, exceeding the previous record of 58 million set in August. The civilian labor force also declined by 600,000 to 66.6 million persons in December. Thus the drop in employment resulted in only a small rise in the number of workers unemployed; the increase was less than the usual seasonal amount for December. The average length of the work week in manufacturing, a sensitive indicator of short-term changes in economic activity, rose from 41.2 to 41.4 hours during December. Most of the increase in hours worked was in nondurable goods industries but the average also rose slightly for durable goods.

Table 3.--Employment and labor force, fourth quarter 1954 and 1955, with percentage change

Item	October-December		Percentage change
	1954	1955	
	Millions	Millions	Percent
Civilian labor force	64.3	67.0	4.2
Employment	61.5	64.7	5.2
Nonagricultural	55.3	57.8	4.5
Agricultural	6.2	6.9	11.3
Unemployment	2.8	2.3	-17.9

The farm employment series of the Agricultural Marketing Service showed the usual seasonal decline in employment on farms from the end of November to the end of December. A greater than seasonal decline in family labor was offset by a much smaller drop in hired labor than is normal for this time of year. Family labor declined from 6.2 to 5 million and hired labor from 1.6 to 1 million persons. The index of farm wage rates on January 1, 1956 showed a very slight increase over January 1 last year.

Commodity Prices

The average level of wholesale prices rose in the latter part of December and in early January, as prices of several major farm products firmed slightly. In November, falling livestock prices, particularly hogs, had been sufficient to pull down the overall price level. Commodities other than farm and food products continue their gradual upward trend. Weekly price indexes indicate that the upward movement accelerated in recent weeks. As industrial output has approached capacity in a growing number of industries, supplies of steel, copper, aluminum, and some other metals have become relatively tight.

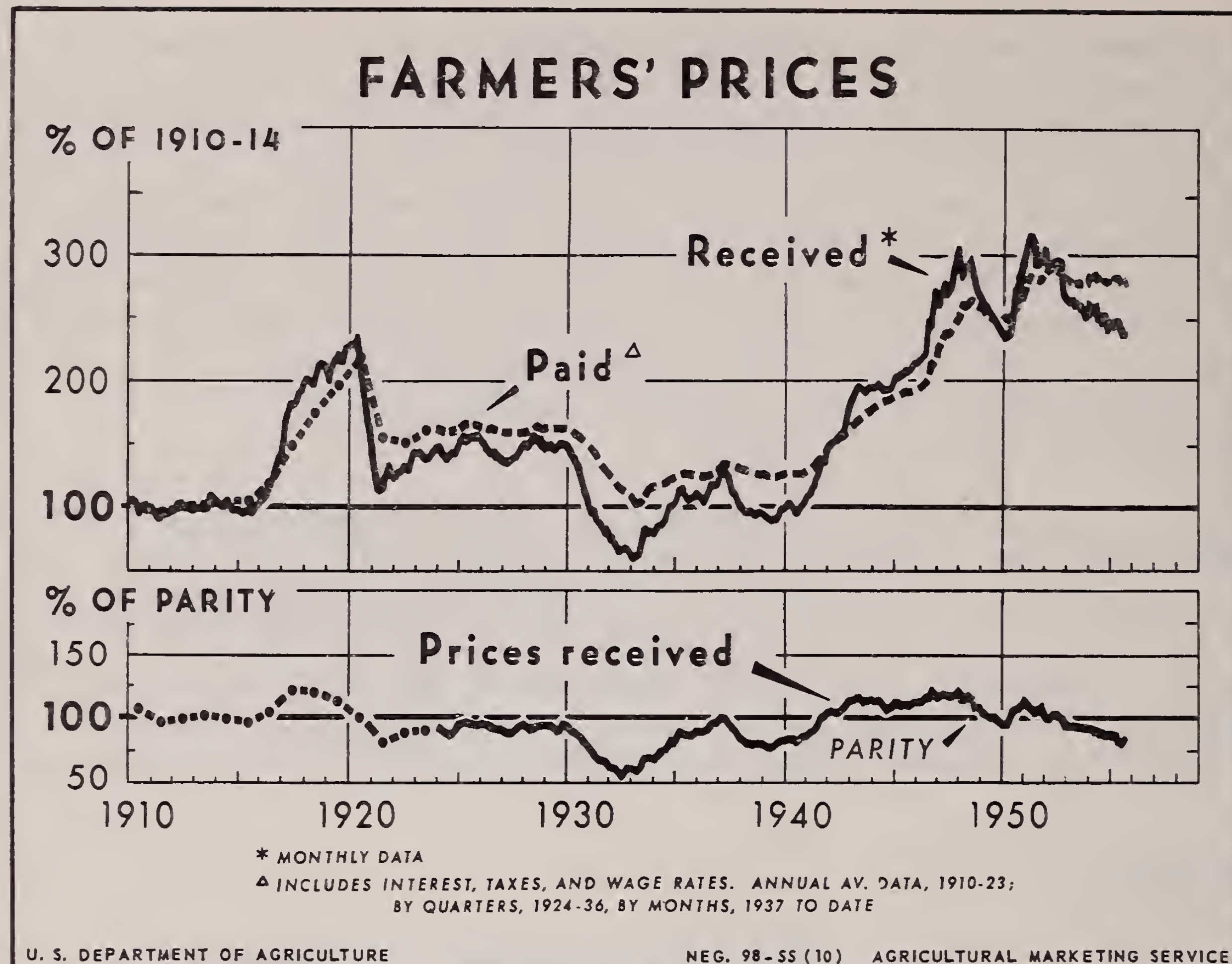
The cost of living for urban residents as measured by the Consumer Price Index continues almost unchanged as it has for many months. The index rose fractionally from 114.9 to 115.0 (1947-49=100) from October to November. Increases in costs of transportation and medical care and a smaller rise for personal care were responsible for most of the overall increase in the index. Food prices, which eased down from 110.8 to 109.8, were the only major sector in the index showing a decline over the month.

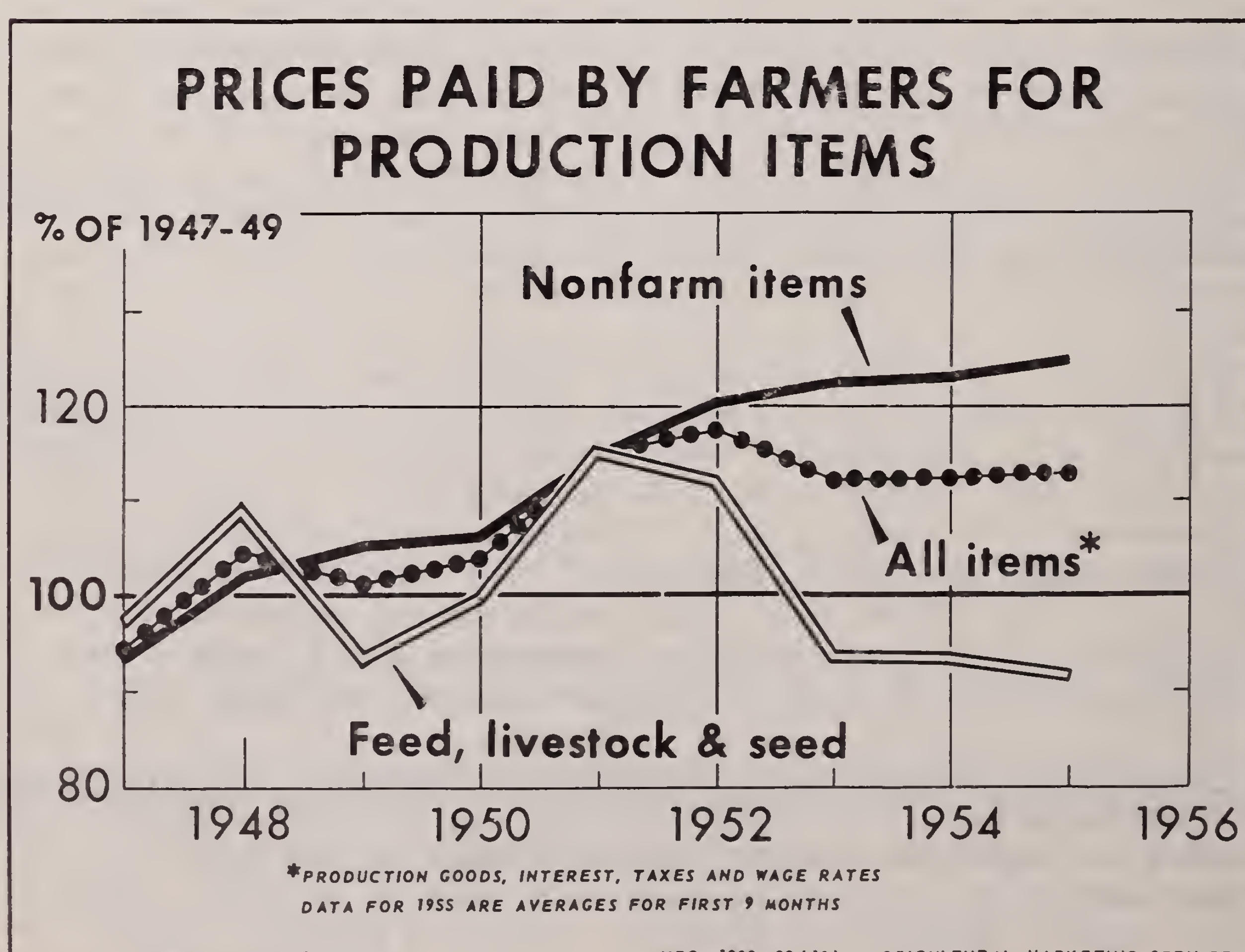
Prices Received and Paid by Farmers

The Index of Prices Received by Farmers in mid-December stood at 223 (1910-14=100), 7 percent below a year ago. Prices received for crops averaged 7 percent below December 1954. Feed grain prices were down about a sixth, reflecting the 6 percent rise in output, record carryover stocks and a reduction in support prices for some feed grains. A similar price decline for oil-bearing crops during 1955 was largely due to a 10 percent increase in farm output coupled with large carryover stocks. With the big late potato crop, prices in December averaged a fifth below a year earlier. Commercial vegetables and tobacco were the only major crops for which prices averaged higher at the close of 1955 than a year earlier.

The index of prices received for livestock and products was down 7 percent on the average from a year earlier. Meat animal prices averaged substantially lower. Hog prices were down 38 percent in response to hog slaughter in the fourth quarter some 14 percent above a year earlier. Beef cattle prices averaged about a tenth lower with beef production up 6 percent to a new high in the final quarter of 1955. Producer prices for dairy products at the close of the year were about the same as a year earlier while prices of poultry products averaged nearly a third higher. Output of poultry products in 1955 totaled about the same as in 1954.

Prices Paid by Farmers for Commodities, Interest, Taxes, and Wage Rates (the Parity Index) in December averaged at the same level as a year earlier. Prices paid have fluctuated very little during 1955, with the Parity Index averaging 281 for the year, the same as in 1954. Prices of commodities used in production, however, showed a gradual decline over the


FARMERS' PRICES
% OF 1910-14
300
200
100
Received *
Paid △
% OF PARITY
150
100
50
Prices received
PARITY
1910
1920
1930
1940
1950
* MONTHLY DATA
△ INCLUDES INTEREST, TAXES, AND WAGE RATES. ANNUAL AV. DATA, 1910-23; BY QUARTERS, 1924-36, BY MONTHS, 1937 TO DATE
U. S. DEPARTMENT OF AGRICULTURE
NEG. 98-SS (10) AGRICULTURAL MARKETING SERVICE


PRICES PAID BY FARMERS FOR PRODUCTION ITEMS
% OF 1947-49
120
100
80
Nonfarm items
All items*
Feed, livestock & seed
1948
1950
1952
1954
1956
*PRODUCTION GOODS, INTEREST, TAXES AND WAGE RATES
DATA FOR 1955 ARE AVERAGES FOR FIRST 9 MONTHS
U. S. DEPARTMENT OF AGRICULTURE
NEG. 1908-SS (10) AGRICULTURAL MARKETING SERVICE

year; in December they were about 3 percent down from a year earlier. Lower prices for feed and for feeder livestock were largely responsible for the decline. Interest and taxes showed significant increases over the year.

With prices received declining over the year and the parity index remaining virtually stable, the parity ratio fell in the same proportion as prices received. In December 1955 the ratio was 7 percent below a year earlier. Virtually all the decline in the ratio took place in the last half of the year. For 1955 as a whole, the parity ratio averaged 84; for 1954 it was 89.

Table 4.- Prices received and prices paid indexes, averages 1954 and 1955

Indexes	Average 1954	Average 1955	Indexes	Average 1954	Average 1955
Prices received by farmers			Prices paid, interest, taxes, and wage rates	281	281
All farm products	249	237			
Crops	243	238			
Food grains	232	228	Prices paid by farmers	263	262
Feed grains and hay	206	187	Family maintenance	274	273
Feed grains	211	189	Farm production	252	250
Cotton	274	272	Farm production, interest, taxes, and wage rates	286	287
Tobacco	439	437	Feed	226	212
Oil-bearing crops	279	250	Livestock	295	291
Fruit	220	211	Fertilizer	155	153
Commercial vegetables 1/	221	244	Seed	226	247
Potatoes, etc. 2/	178	188	Interest 3/	126	136
Livestock and products	255	237	Taxes 3/	391	409
Meat animals	292	251	Wages rates	510	516
Dairy products	252	251			
Poultry and eggs	176	188			
Wool			Ratio, prices received to prices paid, interest, taxes, and wage rates	89	84

1/ For fresh market.
2/ Includes sweetpotatoes and dry edible beans.
3/ Annual index.

Farm Product Prices Rise on Central Markets

Central market prices for many major farm products firmed up from mid-December to mid-January as marketings passed their seasonal peak. Livestock prices, which declined sharply in the last quarter of 1955, showed some recovery from mid-December through the first half of January. Average hog prices at Chicago rose nearly 5 percent during the last half of December, then declined slightly during the first part of January. Slaughter steer prices at Chicago were up 1 percent over the four week period. Prices of Midwestern eggs, which had been rising steeply in recent weeks, broke sharply in early January; prices declined 13 percent during the first week and by mid-January were at a level 9 percent below mid-December. Broilers at Del-Mar-Va declined about 2 percent from mid-December to mid-January. Prices of feed grains on major markets have eased slightly since mid-December.

SURPLUS DISPOSAL OPERATIONS

In his January message to the Congress on the farm program, President Eisenhower emphasized the need for more vigorous surplus disposal activities both here and abroad. Proposals for stepped-up donation and barter were coupled with a recommendation for the disposition of surplus commodities to unfriendly nations, in the event opportunities develop which are clearly to our interest.

The various programs now being carried on under Public Law 480 have already resulted in substantial movements abroad of surplus commodities. Such movements during the 6 months, July-December 1955, exceeded those of the entire 1954-55 fiscal year. (See table 5.) By the end of 1955, shipments of commodities sold for foreign currencies under this Act had an estimated market value 277 million dollars compared with 63 million on June 30, 1955. Thus, over 70 percent of all purchases authorized by December 31 had been completed; with the exception of cotton, substantially all of the shipments authorized by June 30 had moved out by the end of the year.

Relief shipments to foreign countries under Title II of PL 480 rose by about 45 percent since June 30, to a total $121 million by the end of 1955. By December 31, 86 percent of total authorizations had been shipped.

Deliveries to contractors under barter agreements (Title III) during the 6 months ending December 31, 1955, totaled 167 million dollars, compared with 125 million during the full 1954-55 fiscal year. However, these deliveries largely represented contracts negotiated during the year ending June 30, 1955; a substantial decline in new contracts during the July-December period will limit shipments under this program during the next half year.

Table 5.- Foreign surplus disposal under PL 480, FY 1954-55, July-December 1955

Commodity	Unit	Title I: Sales for foreign currency: Reported shipment		Title II: Emergency relief: Reported shipment		Title III: Barter: Deliveries to contractors		Title III: Donations: Reported shipment		Total 1/	
		FY 1954-55	July-Dec. 1955	FY 1954-55	July-Dec. 1955	FY 1954-55	July-Dec. 1955	FY 1954-55	July-Dec. 1955	FY 1954-55	July-Dec. 1955
Wheat and flour	Mil.bu.	24	36	16	4	46	28			86	69
Corn and meal	Mil.bu.	---	6	3	1	4	43			8	50
Oats	Mil.bu.	3	2	---	---	3	6			6	8
Barley	Mil.bu.	4	6	2/	---	5	25			9	31
Grain sorghums	Mil.bu.	1	2	---	---	8	28			9	30
Cotton	1,000 ba.	58	307	4	26	1	---			63	334
Tobacco	Mil.lb.	6	38	---	---	---	---			6	38
Cottonseed oil	Mil.lb.	51	142	14	25	20	14	54	10	138	192
Nonfat dry milk	Mil.lb.	---	---	11	10	1	---	271	161	283	172
Butter 3/	Mil.lb.	3	---	9	2	---	---	129	73	140	73
Cheese	Mil.lb.	---	---	4	8	---	---	88	49	93	57
Estimated export value 4/	Mil.dol.	63	214	83	38	125	167	128	70	399	489

1/ Total of unrounded quantities.
2/ 79,000 bushels.
3/ Including butter oil.
4/ Including rye, rice, cottonseed meal, dry edible beans, linseed oil, and evaporated milk.

The quantity and value of commodities donated to needy persons abroad under Title III during July-December 1955 were also at a rate above the average of the previous fiscal year.

Total government disposal operations during 1955 were higher than in 1954 as shown by reports on disposition commitments of CCC owned commodities. These commitments represent firm contracts made by CCC, covering commercial sales (including those financed under government export programs) non-commercial sales, transfers, exchanges, and donations. 1/ Domestic sales include commodities which in fact may be exported, but are not required to be under special export price provisions. Overall disposition commitments in 1955, valued at 1.6 billion dollars, were about 10 percent above 1954, with a greatly increased proportion of the total going to foreign outlets. (See table 6.)

Table 6.- Summary of CCC disposition commitments, 1954 and 1955

Disposition	Valuation	1954	1955
		Mil. dol.	Mil. dol.
Domestic			
Commercial sales	Dollar return	439	275
Transfers	do.	98	58
Donations	CCC cost	86	145
Total		623	478
Foreign			
Commercial sales	Dollar return	500	521
Non-commercial sales	do.	16	6
Transfers	do.	35	75
Barter	do.	69	268
Donations	CCC cost	158	238
Total		778	1,108
Total dispositions 1/	---	1,404	1,588

1/ Including fire, theft, spoilage, etc.

Over half the drop in domestic sales was in corn, reflecting the large 1954 liquidations of CCC holdings of old crop corn. Other domestic sales showing a drop compared with 1954 included peanuts, cottonseed oil and dried milk--commodities in which CCC holdings had been greatly reduced during the previous year. Domestic sales of butter and cheese were lower in 1955 because domestic market prices were generally lower than CCC selling prices.

1/ These disposal commitments differ from authorizations, since the latter are frequently made before the quantities, specifications, and values are determined. They are also not comparable with data on exports, since these in turn occur after the firm or binding agreements are made.

Foreign dispositions of CCC stocks in 1955 were valued at over 300 million dollars or 40 percent more than in 1954. Increased barter activity, especially in coarse grains, accounted for nearly two-thirds of the rise. Commercial sales for export were only slightly above 1954. Increases were registered in grains and cotton, largely through foreign currency sales. Sales of dairy products were assisted by lower U. S. export prices. These increases largely offset the decline in sales of vegetable oils and peanuts brought about by the reduction of CCC supplies. (See table 7.)

Table 7.- CCC disposition commitments, for specified commodities calendar years 1954 and 1955

Commodity	Unit	Domestic disposition		Foreign disposition		Total 1/	
		1954	1955	1954	1955	1954	1955
Wheat	Mil. bu.	32	13	209	229	241	243
Corn	Mil. bu.	165	97	43	76	208	173
Oats	Mil. bu.	14	22	4	33	18	55
Barley	Mil. bu.	3	5	14	86	17	91
Grain sorghums	Mil. cwt.	5	11	12	44	17	55
Rice, milled	Mil. cwt.	---	2	2/	3	2/	5
Flaxseed	Mil. bu.	2	3	11	3	13	6
Soybeans	Mil. bu.	2/	11	---	4	2/	15
Peanuts	1,000 tons	68	3	79	---	147	3
Linseed oil	Mil. lb.	6	6	489	123	495	129
Cottonseed oil	Mil. lb.	112	62	728	412	840	474
Milk, nonfat solids 3/	Mil. lb.	644	104	207	596	851	700
Butter 4/	Mil. lb.	164	155	149	227	313	382
Cheese	Mil. lb.	196	94	37	144	233	238
Cotton	1,000 bales	108	98	---	87	108	185
Wool	Mil. lb.	19	18	2	---	21	18

1/ Total of unrounded data. 2/ Less than .5. 3/ Includes dried whey. 4/ Includes butter oil.

Total agricultural exports during the last six months of 1955 probably equaled the 1.6 billion dollar level reached during the corresponding months of 1954. The severe decline in cotton exports was offset by higher exports of nearly all other commodity groups. Government programs were effective in maintaining total export volume although the relatively high level of purchasing power abroad was a strong underlying factor. Shipments under export programs represented possibly one-half of total exports during July-December 1955, compared with 30 percent during the 1954-55 fiscal year.

THE PRESIDENT'S MESSAGE ON THE FARM PROGRAM

The President's message to Congress characterized the current farm situation briefly as an over-supply of commodities which drives down prices as costs mount. Thus is generated a severe, farm price-cost squeeze. New means are needed, according to the report, to reduce large surpluses of several farm products and to widen markets. Costs must be cut and production must be better balanced with prospective needs in order to avoid the production of surpluses. The message further states that programs must prevent the shifting of acreage from one crop to another when such shifts result in new surpluses or contribute to greatly expanded output of livestock products. As a remedy for the major problems of agriculture the President recommended a nine-point program of which the Soil Bank was a major new feature.

The Soil Bank

A Soil Bank Program in two parts was recommended: An Acreage Reserve Program was proposed in order to reduce basic crops in greatest supply and a Conservation Reserve Program was suggested as a means of effecting a better long-range land use program and protecting farmers and ranchers from the effects of production on acres already diverted.

Acreage Reserve Program

The program recommended is essentially a voluntary deferred-production plan to reduce acreage of allotment crops in serious surplus--wheat, cotton, corn and rice--below the allotted acres. Thus a farmer with an allotment of 100 acres of wheat may choose to plant only 80 acres and put the remaining 20 in the Acreage Reserve. In return for this voluntary participation in the program, the grower would receive a certificate (redeemable in cash or in kind) equal to a percentage of the value of the crop he normally harvested from the 20 acres. The incentive offered farmers would be generous in order to assure participation in the program. In return the grower would agree not to graze or harvest any crop from the 20 acres in the Reserve Program. In the case of wheat and cotton, the President estimated that the voluntary reduction may be equal to possibly a fifth of the acreage otherwise permitted by allotments--perhaps 12 million acres of wheat and 3 million of cotton.

The deferred production plan would provide an income to farmers while the adjustment in stocks is being accomplished.

Conservation Reserve Program

The second part of the Soil Bank proposes a Conservation Reserve Program to take out of cultivation large areas which wise land use and sound conservation would have reserved to forage and trees. It is proposed, therefore, that farmers be asked to contract voluntarily with the government to

shift cultivated lands most needing conservation measures into forage, trees, and water storage. The President urged approval of the program with the least possible delay so that a significant part of the desired 25-million-acre Conservation Reserve would come into the program in 1956.

It was recommended that the government pay a major share of the costs of establishing the conservation use. This share would be sufficiently high to encourage broad participation in the program. In addition, it was proposed that the farmer receive certain annual payments for a period of years related to the length of time needed to establish the new use of the land. The President estimated that investments under this program may total a billion dollars over the next 3 years and possibly some 350 million in 1956 if the Congress acts as recommended.

The farmer under this program would agree that acres put into the Conservation Reserve will be in addition to land put into the Acreage Reserve and will represent a reduction in cropland cultivated. He would agree also to carry out sound soil and water conservation on these acres. Moreover, they would not be returned to crop production and the farmer would refrain from grazing them for a specified period.

Other Provisions

The new program proposes a continuation of surplus disposal programs with some liberalization of existing legislation and renewed emphasis under an Agricultural Surplus Disposal Administrator. The message states that commodity programs would be strengthened in keeping with the principles of eliminating controls over farmers whenever possible and continuing discretionary price supports at the highest levels possible without accumulating new price-depressing surpluses. The President urges the enactment of a program for attacking the problems of low income families; expresses a determination to see that an adequate supply of credit remains readily available to farmers at all times; urges repeal of the Federal tax on gasoline used on the farm; and reports that the new budget would propose a substantial increase in funds for agricultural research.

FARM INCOME

Total cash receipts from farm marketings in December are tentatively estimated at 2.7 billion dollars, down 15 percent from November but only about 2 percent below December of 1954. Receipts from livestock and products were about 1.3 billion dollars and crop receipts are tentively estimated at 1.4 billion. Both estimates show the usual seasonal decline from November.

Adding the tentative estimate for December to the 11-month total previously published gives a preliminary total of 29.2 billion dollars for 1955 cash receipts, down 3 percent from 1954. This figure may be revised in March when more information on monthly marketings in 1955 will be available.

LIVESTOCK AND MEAT

The fall bulge in livestock slaughter, which pushed meat output to an all-time record rate, has passed. Slaughter this winter will be down seasonally but above last winter. Cattle slaughter will equal or exceed last winter. A back-log of long-fed steers had been worked off fairly well by January 1, and partly-finished steers and heifers of middle grades will make up a larger part of slaughter in weeks ahead than in the fall. Slaughter of hogs will decrease, as usual, but it will stay above last year. Sheep and lamb slaughter might be slightly less than last winter.

Total meat output will likely exceed last year during the first half of 1956, but it may be smaller than a year earlier in the second half. Only one percent more cattle were on feed this January than last but more were of the heavier weights. Consequently, more of the year's total fed cattle slaughter will probably come in the first half of 1956 than in 1955, and less in the second. The 12 percent larger fall pig crop assures a larger slaughter of hogs in the first half. But slaughter in the second half may fall below the same period of 1955, because a 2 percent smaller spring crop is planned by producers.

Regionally, increases in spring farrowings are in prospect in the South, while some sharp decreases are planned in the Western Corn Belt.

Prices of cattle in 1956 are expected to average slightly higher than in 1955, and hog prices slightly lower. Based on the prospective supplies, stronger prices of meat animals are more likely later in the year than earlier. Prices of high grade fed steers may recover moderately early in 1956, but will stay below last year's prices for several months. Prices of hogs are expected to climb from their depths of mid-December. However, substantial increases are not likely before mid-spring because of the sizable marketings of fall-born hogs in prospect. Prices of lambs probably will increase seasonally during the winter.

Through January 15, the Department of Agriculture had contracted for 47 million pounds of pork and 31 million pounds of lard. Purchases are being made to provide price assistance by helping to remove surplus supplies. Pork obtained is being donated to school lunches and other eligible outlets. In the President's farm message he reported that the pork purchase program will shortly be stepped up to supply new and expanded outlets.

DAIRY PRODUCTS

Production of milk in early 1956 was at a slightly higher level than a year earlier. The rate of output per cow has been at a record high for more than a year, giving a record high total milk production despite fewer cows. Production in 1955 totaled 124.5 billion pounds compared with 123.5 billions in 1954. With more favorable price relationships than a year ago, milk production probably will continue at peak rates this winter.

Use of milk in fluid outlets continues substantially above that of a year earlier. This reflects increased consumer purchases as well as an expansion of special programs to increase milk consumption in schools and by military personnel. The President's farm message included a proposal for increasing appropriations for the Special School Milk program from 50 million dollars per year to 75 million dollars. Retail prices for milk continue a little above a year earlier.

Price relationships became considerably more favorable for dairymen during 1955. Prices for dairy products were steady while prices for feeds and some alternative livestock products declined. Continuation of these relationships would tend to lead to expansion in milk production in the next few years, with some increase in milk cow numbers likely.

Prices to farmers in April-December 1956 will be influenced by the level of price supports which will be announced prior to March 31. Except for an increase in purchase prices for cheese and nonfat dry milk in July 1954, the support program on dairy products has been unchanged since April 1, 1954. In 1955, farmers received an average of about $4.00 per hundredweight for milk sold at wholesale, practically the same as a year earlier, but lower than the $4.31 in 1953.

Purchases of butter and cheese by CCC for price support during recent weeks have been considerably above year earlier levels. So far this marketing year, CCC purchases are smaller for butter and cheese but larger for nonfat dry milk.

POULTRY AND EGGS

Egg prices rose gradually throughout December. Mid-month prices received by farmers averaged 47.1 cents per dozen, compared with the previous 1955 high of 43.8 cents in mid-September, and 32.7 cents in mid-December 1954.

Egg markets, particularly in the Northeast were buoyed in the first half of December by substantial purchases of eggs by the government of Spain for immediate export to that country. The International Cooperation Administration had authorized the Spanish government to buy up to 1.5 million dollars worth of eggs.

Egg prices fell in early January and they probably will continue to decline seasonally. Production on January 1 was slightly larger than a month earlier, and increasing seasonally.

Quotations for 1955 crop turkeys rose in early January as much as 5 cents above the holiday period. Prices turned upward immediately after Thanksgiving when it became apparent that fewer live birds remained on farms than had been expected, and that storage holdings were below the year before.

U. S. average turkey prices in mid-December were 31.1 cents per pound, compared with 29.6 cents a year earlier. For specific classes of turkeys, the increases were more spectacular. In California, heavy toms over 28 pounds live were 30-31 cents per pound in the week after Christmas, 1955; they were 28-29 cents in mid-October, and in the principal marketing season of 1954 had been generally between 22 and 24 cents.

The U. S. average price to farmers for broilers in mid-December was 19.4 cents per pound; prices rose after that but declined slightly in early January. Prices were much higher earlier in 1955, reaching 29.4 cents in mid-March. Recent broiler placements in 22 States, total about one-third more than a year earlier.

The December and January strength in egg and turkey prices, coupled with lower feed prices than a year earlier, will probably induce production increases for those commodities in 1956. On January 13 the Department of Agriculture released its annual survey of intentions to raise turkeys, showing that farmers planned to raise 14 percent more heavy-breed turkeys than last year's 47 million, and 17 percent fewer light-breed turkeys than last year's sharply-reduced crop of 16 million for that class of bird. A similar survey of intentions to raise replacement chickens will be reported in the February Crop Report.

OILSEEDS, FATS AND OILS

Soybean prices have averaged above support so far this crop year, reflecting strong domestic and export demand. Crushings in October-December 1955 are estimated at nearly 75 million bushels, far above any comparable period. Exports of soybeans in October-December 1955 totaled nearly 34 million bushels, over 6 million more than the previous record achieved in 1954. Despite the huge crop, it appears that the carryover of 1955 crop soybeans may not differ much from stocks at the beginning of the marketing year. Farmers placed 22.8 million bushels, 6 percent of the crop, under support programs through mid-December. A year earlier, they put 26.5 million bushels, 8 percent of the crop, under support programs. Purchase agreements and loans are available through January 1956. Farmers can redeem their loans when they mature on May 31, 1956.

Flaxseed prices have increased considerably from the low point of last September, rising from moderately below support to somewhat above. This reflects the movement of flaxseed under support, and the fact that world prices have risen to U. S. support levels for the first time in many years. Prices usually rise at this time of year. Exports of flaxseed in July-December 1955 totaled about 4 million bushels. In this period, CCC also sold for export all the linseed oil that it had on hand--about 51 million pounds from toll crushing of 1954 crop flaxseed. The Corporation expects to get an additional 40 million pounds from toll crushing. Prospects are that more of U. S. flaxseed will be exported through next spring. Farmers placed 6.8 million bushels of flaxseed, 17 percent of the crop under support through mid-December. Figures for a year earlier are 5.7 million bushels, 14 percent of the crop. Closing dates on loans are the same as for soybeans but the redemption date is April 30, 1956.

Although total supplies of peanuts are much larger than last year when the crop was small, the quantity of Virginia type nuts is short and the premium for them is wider then usual. The crop in the Virginia-Carolina area was severely damaged by heavy rains. The preliminary national season average price received by farmers for the 1955 crop is 11.6 cents per pound compared with 12.2 cents last year. So far, about 300 million pounds, 19 percent of the crop, have been placed under support.

Prices of vegetable oils have remained relatively stable so far this marketing year. Output has been heavy but total disappearance (domestic plus exports) also has been high. Lard prices dropped about 30 percent from mid-October to mid-December, because of very heavy hog slaughter and, consequently, lard output. The seasonal peak in slaughter now is passed and there has been some recovery in prices during the past month.

The President, in his farm message to Congress, stated that support levels for the 1956 soybean and flaxseed crops, soon to be announced, would be higher than for the present crops. Support levels for the 1955 crop are 2.04 dollars or 70 percent of parity in February 1955 for soybeans and 2.91 dollars or 65 percent in February 1955 for flaxseed. The President recommended that Congress eliminate the present provisions for a fixed minimum national acreage allotment on peanuts. The allotment for the 1956 crop, announced by the U. S. Department of Agriculture on October 6, 1955, was set at the minimum. Cottonseed production would be affected by the President's recommendations on the cotton acreage reserve program.

FEED

Prices of feed grains and many of the byproduct feeds have advanced in recent weeks from low points reached last fall. The sharpest increase has been in corn. The price of No. 3 Yellow at Chicago averaged $1.25 for the week ended January 13, 12 cents higher than the seasonal low for the week ended November 19, but 29 cents lower than a year earlier. Corn prices are still considerably below the 1955 support level, while oats have advanced above the support prices, and barley and sorghum grain to near support. The general level of feed prices continues well below a year earlier. In December, indexes of the average prices received for feed grains and wholesale prices of high protein feeds were both 18 percent lower than a year earlier. Prices paid by farmers for all feeds purchased averaged 10 percent lower.

The large volume of 1955 feed grains placed under price support so far this season has contributed to the strength in feed prices. Through December 15, 88 million bushels of corn had been placed under price support, much more than a year earlier, and a record quantity of sorghum grain. Quantities of oats and barley were smaller than in 1954 but larger than in any other year for that period.

The total supply of feed grains and other concentrates for 1955-56 is estimated at 196 million tons, 8 percent larger than last year and the largest on record, either in total or per animal unit. The 1955 feed grain crop of 130 million tons is second only to the record production in 1948. Heavier utilization of feed grains is expected in 1955-56 than in 1954-55 as well as some further increase in carryover at the close of the season. Hay stocks on January 1 were a little larger than a year earlier and much better distributed over the country.

In the President's message to Congress on the farm program an Acreage Reserve Program was recommended which would call for a voluntary acreage reduction for corn for which farmers would receive certificates to be redeemed for cash or in kind at specified rates. An alternative plan was proposed which would call for the elimination of acreage allotments for corn and put price supports for corn on a discretionary basis comparable with other feed grains, with all corn producers eligible for price supports. A Conservation Reserve Program was proposed by the President to encourage the diversion of land from feed grains and other soil depleting crops to soil conserving crops.

WHEAT

Cash prices of hard and soft winter wheat are only slightly below the highest level of the marketing year to date. On January 18, the price of No. 2 Soft Red Winter at St. Louis was $2.16,27 cents above its low in August and that of Hard Red Winter at Kansas City was $2.17,13 cents above its low in August. The price of No. 1 Dark Northern Spring Wheat at Minneapolis on the same date, while 10 cents above its low in August was 11 cents below peak reached on September 20. The average price received by farmers in mid-December was $1.95 which was 1 cent above a month earlier, but 17 cents below a year ago. The average support rate to growers this year at $2.08 per bushel is 16 cents below a year earlier. Strength in wheat prices in spite of the largest supplies in our history result from large holdings of old crop wheat in CCC inventories, a reduced 1955 crop, and the operation of the current support programs. Farmers had placed 223 million bushels of 1955-crop wheat under the support program through December 15, compared with 351 million bushels on the same date a year earlier from the larger 1954 crop.

Acreage seeded to winter wheat for all pruposes in the fall of 1955 was estimated at 45.2 million acres, 0.8 million more than in the fall of 1954 and 9.7 million less than average. This was the third consecutive winter wheat crop planted under acreage allotments and marketing quotas.

A 1956 winter wheat crop of 735 million bushels is indicated, based on conditions as of December 1 and other factors. A crop of this size would be 15 percent less than average but 4 percent more than the 1955 crop.

Weather conditions between December 1 and harvest time as well as damage from insects and disease can greatly influence the final outturn of the 1956 crop. The current forecast of production assumes normal weather, insect and disease conditions for the remainder of the crop season. The indicated yield of 16.3 bushels per seeded acre for the United States is 0.4 bushel more than the 1955 crop yield and half a bushel above average. Current conditions indicate that 18 percent of the acreage seeded this fall will not be harvested for grain. Of the acreage seeded for the 1955 winter wheat crop, 24.1 percent was not harvested for grain.

If the same acreage is seeded to spring wheat as in 1955 and average yields are obtained, a spring wheat crop of about 190 million bushels would be produced. These two figures taken together would indicate a crop of about 925 million bushels. This is slightly in excess of the 900 million bushel disappearance estimated for 1955-56.

The two-part Soil Bank Plan proposed in the President's message to Congress (discussed earlier in this issue) recommends first a voluntary cut from the minimum 55-million acre wheat allotment of possibly 12 million acres effective on the 1956 crop. Such a cut, if continued for 3 or 4 years at average yields, could reduce the large carryover to normal levels. The other part of the program proposes a shift of poorer land into forage, trees, and water storage. Incentive payments are proposed in the program at a level sufficiently high to encourage wide participation.

Other proposals pertaining to wheat suggest a step up in disposal of CCC stocks and commercial sales for export; exemption from marketing quotas of those farms on which all wheat produced is used on the farm; sale of low grade wheat for feed; reduction in the area of controls by expanding the non-commercial wheat area; and extending the exemption of durum wheat from controls.

RICE

A national rice acreage allotment of 1,639,084 acres and marketing quotas for the 1956 rice crop based on this acreage were proclaimed on December 30. A minimum national average support price of 4.04 dollars per cwt. was announced and January 27 was set as the date for a referendum among rice producers. At least two-thirds of the producers voting must approve quotas before they can be placed into effect.

Supplies of rice considerably in excess of anticipated domestic use and exports require the maximum legal reduction in the national acreage allotment to not less than 85 percent of last year's allotment, the proclamation of marketing quota controls for the second successive year. Under these conditions, a price support level was announced, at the legal minimum of 75 percent of parity.

If marketing quotas are approved, producers who remain within their allotments will be eligible for price support on their entire production. Growers who exceed their farm acreage allotment will be subject to marketing quota penalties amounting to 50 percent of parity (as of June 15, 1956) per hundredweight of their excess production, and none of the production on those farms which exceed allotments will be eligible for price support.

If marketing quotas are disapproved, there will be no restrictions on rice marketings. Acreage allotments will remain in effect, however, as a condition of eligibility for price support at the 50 percent-of-parity level as required by law when quotas are disapproved.

Rice supplies for the year beginning August 1, 1955, are estimated at 83.6 million cwt., in terms of rough rice. The sharp increase in the carryover much more than offsets the reduction in production. The carryover jumped from 7.5 million cwt. (in terms of rough rice) on August 1, 1954 to 29.9 million cwt. last August.

Domestic disappearance of rice for 1955-56 is estimated at 27.9 million cwt., in terms of rough rice. This is about the same as the 27.8 million cwt. for 1954-55. Exports for 1955-56 are uncertain at this time but, unless exports exceed 25.8 million cwt., compared with the 14.4 million last year and the 1952-53 peak of 25.1 million bushels, carryover stocks at the close of this marketing year would exceed the 29.9 million cwt. carryover on August 1, 1955.

FRUIT

Supplies of most fresh fruits remaining to be marketed after January 1, 1956 were somewhat larger than a year earlier. No damage to Florida citrus from early January frosts has so far been reported. Consumer demand for fruit is expected to continue strong this winter and demand for oranges for processing is expected to be better than last winter. Programs to facilitate the export of raisins and fresh and processed oranges and grapefruit are in effect.

Movement of 1955-56 crop Florida oranges to processors up to January 1 has been about 15 percent larger than a year earlier, more than offsetting a relatively small decrease in shipments to fresh markets. Output of frozen orange concentrate has been about 36 percent larger. Prices received by growers for oranges for making into concentrate advanced moderately during December and in early January averaged about 35 percent above a year previously. Both shipping point and auction prices for Florida oranges shipped to fresh markets increased during December, reaching levels considerably higher than a year earlier. With supplies of California Navel oranges lighter than in 1954-55, auction prices for these oranges in December 1955 averaged much higher than a year previously. Prices of oranges are expected to continue higher this winter than last.

Although movement of Florida grapefruit to processors up to January 1 of the 1955-56 season has been about the same as a year earlier, shipments to fresh markets have been about 6 percent larger. Shipping point and auction prices for fresh market shipments held fairly steady during December 1955 at levels generally under those of December 1954. Prices for grapefruit usually decline seasonally during January and February and then increase.

Stocks of apples and pears in cold storage January 1, 1956 were somewhat larger than a year earlier, according to the Cold Storage Report of the USDA. In New York and Washington, where stocks are up this season, shipping point prices for most leading varieties tended to hold steady during December at levels moderately under a year earlier. However, prices for McIntosh tended to weaken in early January. But in the Appalachian area where stocks are down, prices tended to average much the same as a year previously. Auction prices for D'Anjou pears, the leading winter pear, averaged a little lower during December 1955 than a year earlier.

Total cold storage stocks of frozen fruits and berries (excluding juices) on January 1, 1956 were about 10 percent larger than on that date in 1955. Stocks of strawberries, the leading item in storage, were 24 percent larger. Holdings of frozen orange juice, mostly concentrate, were 14 percent larger. Stocks of this item can be expected to increase considerably this winter and spring as production exceeds distribution.

COMMERCIAL VEGETABLES

For Fresh Market

Despite severe damage to Florida crops from low temperatures in early January, larger supplies of commercial vegetables for fresh market are in prospect this winter than last. But demand remains strong and prices received by growers probably will not differ significantly from those of a year earlier. In addition to the larger indicated production, imports of winter vegetables are expected to exceed the very low level of a year earlier.

The larger prospective production this winter than last is due to a 7 percent increase in acreage and the expectation of moderately lower yields. Among the important winter vegetables production of cabbage, cauliflower, celery, sweet corn, escarole, and lettuce is expected to be up somewhat. On the other hand, materially smaller production appears to be in prospect for snap beans, carrots, spinach and tomatoes.

For Commercial Processing

Supplies of processed vegetables available for distribution during the remainder of the 1955-56 marketing year appear to be a little smaller than those available in the corresponding months of last year. Incomplete data indicate that stocks of most important canned vegetables are smaller

than those of a year earlier. Stocks of frozen vegetables on January 1 were about 4 percent smaller than on the same date of 1955. Stocks of Brussels sprouts, lima beans, and sweet corn were down materially compared with those of a year earlier, while cauliflower, pumpkin and squash, and spinach were substantially above the 1955 level.

Continued strong demand and the slightly lighter supplies available during the remainder of the 1955-56 season are expected to result in moderately higher retail prices than a year earlier.

POTATOES AND SWEETPOTATOES

A substantial quantity of 1955 crop potatoes has been moved under the USDA potato diversion program, though the rate has slowed in recent weeks. Through January 14, about 8 million bushels of potatoes had been diverted to starch, and over 900,000 bushels had been diverted to livestock feed.

Early January reports indicated that a considerably larger crop of potatoes is available for harvest this winter than last. However, additional cold weather has occurred in producing areas since the first week of January and the effect of the low temperatures on winter crop potatoes is not yet known.

Sweetpotato supplies available for distribution during the remaining 1955-56 marketing season appear to be larger than supplies available a year earlier. Under a USDA purchase program, initiated in early November and expiring in December, the Department acquired about 171 carloads of sweetpotatoes. Market prices strengthened considerably after the September-October lows and offerings under the program were relatively light.

Demand for sweetpotatoes through the winter and spring of 1956 may be a little stronger than in 1955 and some further seasonal price rise is likely. However, the larger supplies of sweetpotatoes available during the next 5-6 months is expected to result in prices below those of the corresponding months of 1955.

DRY BEANS AND PEAS

Considerably lower prices compared with a year earlier are in prospect for dry edible beans during the remainder of the 1955-56 marketing season. Supplies of dry beans are slightly larger than a year earlier, and the national support price has been lowered by almost a dollar per hundred pounds.

Supplies of dry peas available for distribution during the remainder of this crop year are substantially smaller than those of a year earlier. However, prices received by farmers in mid-December were well below those of a year earlier. With export demand expected to be much smaller than in 1955, prices during the remainder of the marketing season are expected to average moderately below those for the corresponding period of 1955.

COTTON

The supply of cotton in the U. S. is estimated at a record high of about 25.7 million running bales. The previous record of 24.6 million bales was set in 1939-40 and the 1954-55 supply was 23.5 million. The 1955-56 supply includes a starting carryover of about 11.1 million bales, production of approximately 14.5 million and estimated imports of about 0.1 million.

Exports have declined because of larger cotton production abroad. However, foreign free world cotton production is not as large as was expected earlier in the current marketing year. Current estimates place output at about 16.4 million bales compared with about 16.7 expected earlier in the season and the 1954 crop of 15.9 million bales. Foreign free world cotton consumption is expected to be about the same as the 18.7 million bales consumed in 1954-55. If the U. S. exports 2.5 million bales in 1955-56, foreign free world stocks at the end of the season may be smaller than at the start of the season.

Exports from August 1 through November 1955 totaled about 505,000 bales compared with 1,129,000 in the same period a year earlier. The rate of exports will probably increase from that of the first four months of the season as the special export program for 15/16 inch and shorter cotton picks up momentum. On January 3 the first bids under this program were opened and through January 12, about 142,000 bales had been sold under the program. The price discounts ranged from 5.75 to 8.36 cents per pound below the average 14 spot market price for Middling, 15/16 inch cotton. U. S. Government financing of cotton exports committed for the 1955-56 marketing year amounted to about 300 million dollars as of January 9. If used, these funds will finance the export of about 1.6 million bales. In 1954-55 about 280 million dollars were expended by the U. S. Government to finance the export of about 1.5 million bales.

The rate of domestic mill consumption has been higher each month since August than that indicated by the usual seasonal pattern. Although the gains for individual months are not large, the cumulative effect has pushed the seasonally adjusted rate for November significantly higher than the seasonally adjusted rate for August.

Stocks owned by or under loan to the CCC on January 3 were at an all time high of about 14.2 million bales. Entries into the CCC loan from the 1955 crop totaled about 5.4 million as of the same date. By the end of the marketing year, August 1, 1956, stocks held by CCC will probably be smaller than the January 3 figure.

Prices for cotton increased slightly during December and the first part of January. On January 17 the average 14 spot market price for Middling 15/16 inch cotton was 33.89 cents per pound. This compares with 33.71 cents on November 17 and 33.95 cents on January 17, 1955. The average loan rate for this quality of the 1955 crop cotton at these markets is 33.75 cents per pound

In January 1956 modernized parity will become the effective parity price for upland cotton. Based on published information, the adjusted base price for computing modernized parity in 1956 is estimated at 12.41 cents for upland cotton. This compares with a base price for old parity of 12.4 cents. The adjusted base price is multiplied by the parity index for each month to obtain the monthly parity price. The parity price as of January will be announced in "Agricultural Prices" to be issued January 31.

In the President's farm message to Congress he recommended smaller acreage for cotton than the acreage allotment through voluntary cooperation by cotton farmers in "The Soil Bank" plan. He also asked Congress to consider the use of farm marketing quotas in terms of bales to supplement farm acreage allotments and recommended that "the average grade and quality of the crop be utilized for parity-price computations." The present base quality is Middling, 7/8 inch which is well below the average grade and staple length in recent years.

WOOL

Prices for most wools early in January were about the same as or slightly higher than a month earlier, but substantially lower than in early January 1955. The average of prices received by domestic growers for shorn wool at mid-December was 39.2 cents per pound grease basis, compared with 39.0 cents a month earlier and 50.5 cents a year earlier.

During the first week of January, Commodity Credit Corporation sold about 3 million pounds of the $6\frac{1}{4}$ million pound monthly quota. Effective since November 1, wools owned by the CCC are being marketed on a competitive bid basis. Monthly sales for domestic use are limited to a quantity not in excess of 1/24 of the inventory on hand as of that time.

The rate of domestic mill use of apparel wool during November was 20 percent above that of a year earlier. The total for the first 11 months of last year was almost 7 percent above that of the same months of 1954. Mills used 14 percent more carpet wool during January-November 1955 than a year earlier. The November rate was 27 percent above that of November 1954.

The increase in consumption in 1955 over 1954 was reflected in larger imports. Imports of dutiable wool during January-October 1955 were about 7 percent larger than a year earlier while imports of duty-free wools were up about 33 percent.

TOBACCO

Over nine-tenths of the 1955 burley crop has been marketed and through mid-January, auction prices averaged $58\frac{1}{2}$ cents per pound--17 percent more than in the same period of last season. Prices are averaging higher than for

any previous season. Prices for many lower and middle grades have been substantially above last season in contrast to lower prices for higher grades. About 15 percent of gross sales were received under Government loan, consisting principally of higher grades.

Burley supplies are only slightly less than the record 1954-55 level even though most farm allotments were reduced 25 percent in 1955. 1956 acreage allotments for most farms are 15 percent less than last year. Burley growers overwhelmingly approved marketing quotas for the next three crops in a referendum held on December 29.

At auctions for the dark air-cured types 35 and 36, prices averaged about 33 and 30 cents through mid-January--4 and 14 percent lower than last season. The auction average for Virginia sun-cured (type 37) through mid-January was about 27 cents--18 percent less than a year earlier. Lower quality was the chief reason for the drop in average price.

Auction prices for Virginia fire-cured (type 21) averaged nearly 33 cents per pound for sales from late November through mid-January--6 percent lower than a year earlier, for which quality was also a factor. The auctions for Kentucky-Tennessee fire-cured opened in early January and for sales through mid-January, prices averaged 41 and 32 cents per pound for types 22 and 23, respectively. Prices for both the Eastern District (type 22) and Western District (type 23) averaged a little above those in the comparable period a year earlier.

The total supplies of fire-cured and dark air-cured and sun-cured are larger than for 1954-55. The 1956 acreage allotments for fire-cured and dark air-cured are 15 and 20 percent below the 1955 allotments.

Maryland tobacco growers in a referendum held December 29 voted in favor of marketing quotas on their 1956, 1957, and 1958 crops. Marketing quotas and acreage allotments were not in effect on the 1954 and 1955 Maryland crops.

Cigarette output for calendar 1955 is estimated at 414 billion, about 3 percent above 1954. Domestic consumption of cigarettes is expected to make further gradual gains this year. Cigar consumption in 1955 at about 6.1 billion gained nearly 2 percent and snuff output at near 39 million pounds also topped 1954. However, the outputs of smoking and chewing tobacco in 1955 at about 82 and $79\frac{1}{2}$ million pounds were the lowest for many years.

Exports of unmanufactured tobacco during the last half of 1955 were well above those in the same period of a year earlier. The 1955-56 fiscal year total probably will be 15 percent above 1954-55.

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